



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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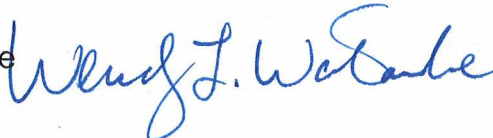
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July 13, 2010

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe 
Auditor-Controller

SUBJECT: **LOS ANGELES COUNTY OFFICE OF EDUCATION CONTRACT
REVIEW – A DEPARTMENT OF PUBLIC HEALTH HIV/AIDS
PREVENTION SERVICES PROVIDER**

We completed a fiscal review of the Los Angeles County Office of Education (LACOE or Agency), a Department of Public Health (DPH) HIV/AIDS prevention services provider. The purpose of our review was to determine whether LACOE appropriately spent funds in accordance with the County contract. We also evaluated the adequacy of LACOE's accounting records, internal controls, and compliance with the contract and applicable guidelines.

At the time of our review, LACOE had one cost-reimbursement contract with DPH's Office of AIDS Programs and Policy (OAPP) and was paid \$274,531 in OAPP funds from January 2008 to June 2009. The Agency's headquarters is located in the Fourth District.

Results of Review

LACOE spent funds in accordance with the County contract. The Agency appropriately recorded and deposited cash receipts in the Agency's bank account. In addition, the Agency appropriately allocated shared program expenditures and maintained the appropriate personnel files. However, LACOE did not:

- Request a budget modification from OAPP when expenditures exceeded the contract amounts.

LACOE's attached response indicates that they have reviewed their procedures, made changes and implemented the recommendation.

- Ensure employee variance time is properly recorded and benefit balances were decreased as hours were used.

LACOE's attached response indicates that they have reviewed their procedures, made changes and implemented the recommendation.

- Ensure that the Agency's expenditures on their Cost Reports reconciled to their accounting records.

LACOE's attached response indicates that they have reviewed their procedures, made changes and implemented the recommendation.

The details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with LACOE and OAPP on February 25, 2010. In their attached response, the Agency agreed and implemented our findings and recommendations. OAPP indicated that they will work with the Agency to ensure that the findings and recommendations are implemented.

We thank LACOE management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Department of Public Health
Kingsley Udo, Financial Operations Team Leader, LACOE
Public Information Office
Audit Committee

**LOS ANGELES COUNTY OFFICE OF EDUCATION
HIV/AIDS PREVENTION SERVICES PROVIDER
FISCAL YEAR 2008-09**

BACKGROUND/PURPOSE

The Department of Public Health's (DPH) Office of AIDS Programs and Policy (OAPP) contracts with Los Angeles County Office of Education (LACOE or Agency) to provide HIV/AIDS training to non-Los Angeles Unified School Districts. The program assists schools in delivering up-to-date school-based HIV education programs.

The purpose of our review was to determine whether LACOE appropriately spent funds in accordance with the County contract. We also evaluated the adequacy of LACOE's accounting records, internal controls, and compliance with the contract and applicable federal and State fiscal guidelines governing the Ryan White Comprehensive AIDS Resource Emergency Act.

CASH/REVENUE

Objective

Determine whether cash receipts and revenue are properly recorded in LACOE's accounting records and deposited timely into the Agency's bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed their financial records. We also reviewed the Agency's June 2009 bank reconciliations for two bank accounts.

Results

LACOE appropriately recorded and deposited cash receipts timely into the Agency's bank accounts. LACOE also appropriately completed monthly reconciliations.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed LACOE's Cost Allocation Plan and reviewed a sample of shared expenditures incurred by the Agency from October 2008 to June 2009 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

LACOE's Cost Allocation Plan complied with the County contract requirements. In addition, the Agency appropriately allocated shared costs.

Recommendation

None.

EXPENDITURES**Objective**

Determine whether program expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed accounting records and reviewed documentation for 13 non-payroll expenditure transactions charged to DPH between October 2008 and June 2009, totaling \$36,062.

Results

LACOE did not always maintain appropriate documentation to support program expenditures. LACOE also did not properly classify costs categories to the contract's line item budget. Specifically, LACOE:

- Billed OAPP \$5,738 for insufficiently documented computer equipment and conference expenditures. Subsequent our review, LACOE provided additional documentation to support the \$5,738 in questioned costs.
- Did not request a budget modification from Office of AIDS Programs and Policy (OAPP) when expenditures exceeded the contract amounts. Specifically, LACOE charged consultant costs on their billings as salary costs.

Recommendations**LACOE management:**

1. **Maintain documentation to support program expenditures.**

2. Ensure expenditures are correctly identified on the monthly billing to OAPP.
3. Monitor its contract budget and request a budget modification from OAPP as needed.

FIXED ASSETS

Objective

Determine whether the Agency's fixed assets and equipment purchases made with OAPP funds are used for the OAPP program and are safeguarded.

We did not perform test work in this area as the Agency did not charge OAPP any costs for the purchase of any fixed assets.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the OAPP program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures for three employees totaling \$6,665 to payroll records and benefit remittance invoices for January 2009. We also reviewed the employees' personnel files.

Results

LACOE maintained the required personnel records and time reports for employees. However, employee benefit balances were not appropriately reduced for one employee. Specifically, for one employee, LACOE's benefit time for January 2009 was not reduced by 16 vacation hours taken.

Subsequent to our review, LACOE provided additional documentation that showed the employee's benefit balances were corrected.

Recommendation

4. LACOE management ensure employee variance time is properly recorded and benefit balances are decreased as hours are used.

COST REPORTS**Objective**

Determine whether the Agency's Costs Reports reconcile to the Agency's accounting records.

Verification

We traced the Agency's accounting records to the Agency's Cost Reports submitted to OAPP for the period ended December 2008 and June 2009.

Results

LACOE's Cost Reports did not always reconcile to the Agency's accounting records. The expenditures for payroll and employee benefits reported in LACOE's Cost Report for January to June 2009 exceeded their accounting records by \$14,800.

At our exit conference, LACOE provided additional documentation to support the \$14,800 variance between their accounting records and the Cost Reports.

Recommendation

5. LACOE management ensure all program related expenditures included in the Cost Reports are supported by the Agency's accounting records.



Los Angeles County Office of Education

Leading Educators • Supporting Students • Serving Communities

March 29, 2010

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Ms. Wendy L. Watanabe

Auditor – Controller

Department of Auditor – Controller

Countywide Contract Monitoring Division

350 S. Figueroa Street, 8th Floor

Los Angeles, CA 90071

Dear Ms. Watanabe:

Department of Public Health (DPH) HIV/AIDS Prevention Services Response to
Los Angeles County Office of Education (LACOE) Contract Review Findings

In response to the contract review findings for the fiscal year 2008-09 DPH HIV/AIDS Prevention Contract, we have reviewed our internal procedures, made changes where applicable, and implemented all recommendations as reflected below.

1. LACOE Management:

Recommendation: Maintain supporting documentation to support program expenditures. **Implemented**

2. LACOE Management:

Recommendation: Ensure expenditures are correctly identified on the monthly billings to Office of AIDS Programs and Policy (OAPP).
Implemented

3. LACOE Management:

Recommendation: Monitor contract budget and request a budget modification from OAPP as needed. **Implemented**

4. Payroll and Personnel:

Recommendation: LACOE management ensures that employee variance time is properly recorded and benefit balances are decreased as hours are used. **Implemented**


5. Cost Reports:

Recommendation: LACOE management ensure that all program related expenditures included in on the Cost Reports are supported by the Agency's accounting records. **Implemented**

Ms. Wendy L. Watanabe
Auditor – Controller
Department of Auditor – Controller
Countywide Contract Monitoring Division
March 29, 2010
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If you have questions regarding this letter, please contact Mr. Charles Faulkner at (562) 922-8921.

Sincerely,

A handwritten signature in cursive script that reads "Patricia Smith".

Patricia Smith, Controller
Controller's Office

PS/CF:iw